



## Costs Have Been Rising In Morgantown But The Total Cost Of Living Remains Average

By Amy Higginbotham

From every day necessities to once in a lifetime purchases, costs have increased since 2006 in the Morgantown MSA. According to the data collected through the ACCRA Cost of Living survey, the price of some items, such as eggs, cereal and houses, have increased by 8 – 119 percent since the beginning of 2006. While these prices have increased over time, Morgantown's total cost of living remains average for an urban area in the U.S. for the third quarter of 2006.

The ACCRA Cost of Living survey, which is designed by the Council for Community and Economic Research, is a quarterly comparison of the costs of 60 specific items in urban areas throughout the U.S. These items reflect a typical market basket purchased by an upper-income urban household. Examples include grocery, healthcare, transportation, housing, and other goods and services.

From the first quarter of 2006 to the third quarter of 2007, prices on some items purchased daily at the grocery store have dramatically increased in Morgantown. As Table 1 shows, the price of a dozen grade A large eggs has increased by approximately 119 percent with average quarterly increases of 15.5 percent. Other items such as ground beef, milk and cereal have also increased in cost. These cost increases could be linked to increase demand for ethanol and higher fuel costs. Grocery items have not been the only items with increasing prices in Morgantown. The price of a new 2,400 square foot house with garage has also risen in price. From the first quarter in 2006 to the third quarter of 2007, the price of this specific house has increased by 10.7 percent with average quarterly increases of 1.8 percent. Home price increases, however, have not occurred in areas surrounding Morgantown. Over this time period areas such as Washington, DC, Pittsburgh, and Charleston, experienced house price depreciation of 1.0 percent to 14 percent.

**Table 1**  
ACCRA Cost of Living - Morgantown, WV MSA  
Selected Items With Rising Costs Since 2006

	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	Average Quarterly Change (%)	Total 2006Q1- 2007Q3 Change (%)
Ground Beef (90% lean)	\$2.33	\$2.61	\$2.33	\$2.28	\$2.24	\$2.55	\$2.61	2.3	12.0
Milk (1/2 gallon, whole)	\$1.99	\$1.84	\$1.99	\$2.05	\$2.12	\$1.87	\$2.16	1.8	8.5
Eggs (grade A, large, doz.)	\$0.79	\$0.99	\$0.79	\$0.94	\$1.25	\$1.37	\$1.73	15.5	119.0
Corn Flakes (18 oz., Kellogg's)	\$2.86	\$2.56	\$2.86	\$3.16	\$3.03	\$3.04	\$3.31	2.8	15.7
House Price*	\$305,200	\$305,988	\$305,200	\$327,225	\$345,300	\$327,860	\$337,760	1.8	10.7

\* Price of a new 2,400 sq. foot house with a garage, 3-4 bedrooms, 2 baths, 1 fireplace.

Source: ACCRA Cost of Living Index: Comparative Data for 302 Urban Areas Volume 40(3)

While Morgantown has been experiencing price increases for certain goods, the overall cost of living for the area in relation to the rest of the U.S. is average. For the third quarter of 2007, Morgantown's composite cost of living index, as shown in Table 2, was 100.5. That was 10.4 percent above Charleston's composite index but 53 percent below the highest cost of living city, Manhattan. Although the cost of living overall was average, Morgantown's housing and health care costs were 8.5 percent and 3.3 percent above U.S. city average respectively.

Table 2  
ACCRA Cost of Living Survey  
Third Quarter 2007

	Composite Index (100%)	Grocery Items (13%)	Housing (29%)	Utilities (10%)	Transportation (9%)	Health Care (4%)	Misc. Goods & Services (35%)	Estimated 2006 MSA Population
<b>Metropolitan Area</b>								
<b>West Virginia Urban Areas</b>								
Morgantown	100.5	96.3	108.5	100.5	100.2	103.3	95.4	115,136
Charleston	91.0	85.2	85.7	93.9	98.8	95.5	93.8	305,526
<b>Other University Communities</b>								
Baton Rouge, LA (Louisiana State University)	92.2	95.6	82.5	89.0	96.0	98.9	97.8	766,514
Cincinnati, OH (University of Cincinnati)	91.8	89.9	81.8	99.4	102.5	91.5	95.3	2,104,218
Columbia, MO (University of Missouri)	91.2	89.2	83.8	95.7	98.9	94.6	93.9	155,997
Columbus, OH (Ohio State University)	97.6	94.8	96.1	99.3	104.7	106.5	96.3	1,725,570
Knoxville, TN (University of Tennessee)	86.0	86.7	72.2	89.8	86.7	89.5	95.0	667,384
Lawrence, KS (University of Kansas)	92.6	87.7	89.4	86.3	98.5	94.0	97.0	112,123
Pittsburgh, PA (University of Pennsylvania)	94.2	97.6	87.0	107.6	101.7	85.9	93.6	2,370,776
Tampa, FL (University of South Florida)	98.3	94.0	96.4	97.1	101.1	95.7	101.1	2,697,731
<b>Major U.S. Metro Areas</b>								
Atlanta, GA	98.0	98.1	93.5	91.5	105.3	101.4	100.9	5,138,223
Boston, MA	136.8	120.5	167.8	141.4	103.6	139.9	125.9	4,455,217
Denver, CO	105.0	104.7	109.3	101.8	96.6	107.9	104.6	2,408,750
Houston, TX	87.6	81.7	75.3	94.2	95.0	101.7	93.9	5,539,949
Miami, FL	114.7	103.4	141.3	106.3	108.5	107.8	102.6	5,463,857
New York (Manhattan), NY	213.0	164.9	397.5	151.6	117.8	129.6	137.5	18,818,536
Philadelphia, PA	123.2	120.4	147.1	115.7	102.6	111.6	114.6	5,826,742
Washington, DC	137.0	108.5	214.6	111.1	107.9	110.2	104.3	5,290,400

\* Population of the Washington-Arlington-Alexandria DC-VA-MD-WV Metropolitan Division

Source: ACCRA Cost of Living Index: Comparative Data for 302 Urban Areas Volume 40(3); U.S. Census Bureau

Although the ACCRA Cost of Living Index is a useful indicator of local economic conditions, it should be considered with caution. The index is estimated for a specific group of individuals and does not include many of the taxes imposed on those individuals. Local conditions of an area are also not a part of the index and should be considered before concluding exactly what relative cost of living information means.

## Morgantown MSA Posts Rapid Real GDP Growth, But House Price Appreciation Slows

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Between 2001 and 2005, the Morgantown MSA experienced the third highest real gross domestic growth (GDP) rate of any metropolitan area with at least one West Virginia county. Real GDP is a comprehensive measure of economic activity. It reflects the value of the final goods and services produced by labor and property located in a region, after adjustment for inflation.

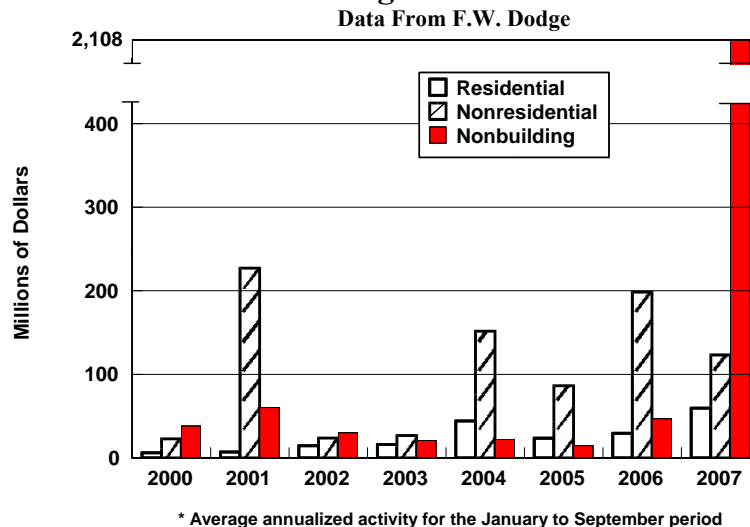
Between 2001 and 2005, real GDP for the Morgantown MSA increased by 17.1 percent, which was significantly higher than the state (6.7 percent) and national (11.2 percent) rate. However, Morgantown's growth was 1.2 percentage points lower than the Winchester MSA, and 1.4 percentage points lower than the Washington MSA.

In 2005, GDP in the Morgantown MSA was \$4.3 billion, before adjustment for inflation. That ranked Morgantown 8<sup>th</sup> out of the 10 MSAs with component counties in the state and reflects the overall size of the local economy. However, Morgantown's GDP on a per worker basis hit \$61,208 in 2005, ranking the MSA 4<sup>th</sup> in the state. Thus, while the Morgantown economy remains relatively small, it is also relatively productive, compared to other metropolitan areas in the state.

Morgantown's economic growth has been reflected in rising construction starts. Indeed, construction contracts for the Morgantown MSA during the first nine months of 2007 have been valued at an annual rate of \$2.3 billion by FW Dodge. Figure 1 shows the value of residential, nonresidential, and non-building construction starts during the decade so far. Residential investment in the Morgantown MSA has more than doubled during the first three quarters of 2007, compared to the same period in 2006. In fact, the annualized value of residential contracts has been increasing since 2005, going from \$23.5 million, to \$29.4 million in 2006, to \$59.4 million in 2007.

Following a similar trend, the value of non-building construction contracts has been increasing during the past three years. Non-building starts include infrastructure (highways, roads, water, sewer), as well as power plant construction. During the first three quarters of 2007 the value of non-building construction in the area reached an annual rate of \$2.1 billion. That is 45 times higher than the first three quarters of 2006. According to F.W. Dodge, the value of non-building construction has been primarily driven by investment in the Longview Power Plant, a \$1 billion 600 mega-watt power plant near Allegheny Energy's Ft. Martin plant.

**Figure 1**  
**Value of Construction Contracts**  
**Morgantown MSA**



Even though residential investment in the Morgantown MSA has doubled in 2007 compared to 2006, single-family house price appreciation has slowed during the past four quarters. House price appreciation in the Morgantown MSA between 2006 and 2007 was nearly one half that of the previous four quarter period, according to data from the Office of Federal Housing Enterprise Oversight. After experiencing an average annual growth rate of 8.3 percent from the third quarter of 2005 to the third quarter of 2006, house price appreciation in the Morgantown MSA declined to 4.5 percent during the following year. In contrast to continued, but slower, house price increases in the Morgantown MSA, the Washington, Hagerstown, and Winchester MSAs experienced house **depreciation** between the third quarter of 2006 and the third quarter of 2007. This reflects the housing correction underway in those metropolitan areas.

In addition, the house price deceleration has struck West Virginia and the U.S. West Virginia posted a 3.6 percent house price appreciation rate between 2006 and 2007, which is 3.1 percentage points less than the previous four quarters. House price appreciation for the United States fell from a rate of 7.5 percent between 2005 and 2006, to 1.8 percent during the past year.

**Morgantown MSA Economic Indicators**  
(Seasonally Adjusted Unless Otherwise Noted)

Region/Indicator	Year			Quarter				
	2004	2005	2006	2006:3	2006:4	2007:1	2007:2	2007:3
<b>Morgantown MSA</b>								
Total Nonfarm Employment	55,903	57,489	59,561	59,755	60,644	61,662	60,966	61,252
Total Nonfarm Employment (%)	2.8	2.8	3.6	6.7	6.1	6.9	-4.4	1.9
Nat. Res. and Mining	810	769	932	931	962	957	972	947
Construction	2,484	2,741	2,752	2,762	2,770	2,905	2,892	2,840
Manufacturing	3,644	3,784	3,873	3,855	3,838	3,893	3,901	3,852
Trade, Trans., and Util.	7,814	8,233	8,673	8,630	9,101	9,320	9,080	9,198
Information	635	632	660	668	662	665	660	671
Financial Activities	1,707	1,693	1,775	1,759	1,782	1,831	1,816	1,746
Prof. & Bus. Servs.	4,658	4,478	4,300	4,348	4,317	4,366	4,346	4,378
Educ. & Health Servs	10,753	11,141	11,576	11,652	11,653	11,825	11,824	11,682
Leisure and Hospitality	5,026	5,193	5,660	5,653	5,999	6,291	6,159	6,096
Other Services	2,761	2,761	2,828	2,848	2,857	2,844	2,815	2,961
Total Government	15,618	16,065	16,538	16,649	16,703	16,762	16,502	16,882
Unemployment Rate (%)	3.8	3.5	3.7	4.1	3.4	2.8	3.3	3.7
Residential Const. Contracts (\$ mil. NSA AR)	38	25	28	27	25	167	19	18
Non-Building Const. Contracts (\$ mil., NSA AR)	19	13	66	80	127	5,209	1,052	65
Non-Residential Const. Contracts (\$ mil., NSA AR)	121	93	155	155	26	227	23	120
Residential Const. Contracts (Units AR)	456	182	159	155	152	1,259	140	103
Housing Price Index (NSA, 1995Q1=100.0)	134.6	153.2	164.9	168.8	170.8	172.9	173.3	176.3
Housing Price Index (%)	9.4	13.9	7.6	21.5	4.8	5.1	1.0	7.1
Population	113,851	114,644	115,136	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	26,766	28,058	n/a	n/a	n/a	n/a	n/a	n/a
<b>West Virginia</b>								
Total Nonfarm Employment (thous.)	737.0	746.7	756.0	755.6	758.5	758.6	759.4	758.8
Total Nonfarm Employment (%)	1.3	1.3	1.2	0.4	1.6	0.0	0.5	-0.4
Unemployment Rate (%)	5.3	5.0	5.0	5.2	5.1	4.2	4.4	4.8
Residential Const. Contracts (\$ mil. AR)	871	1,134	1,226	984	1,170	1,263	869	779
Non-Building Const. Contracts (\$ mil., NSA AR)	681	990	917	1,007	867	6,047	2,041	830
Non-Residential Const. Contracts (\$ mil., NSA AR)	532	727	1,030	497	1,665	568	1,974	478
Residential Const. Contracts (Units AR)	6,324	6,539	6,270	5,219	5,961	6,774	6,241	4,183
Housing Price Index (NSA, 1980Q1=100.0)	190.9	210.0	226.0	224.5	226.3	229.9	229.7	232.5
Housing Price Index (%)	5.8	10.0	7.6	11.6	3.3	6.4	-0.3	5.0
Population	1,810,906	1,814,083	1,818,470	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	25,302	26,419	27,897	n/a	n/a	n/a	n/a	n/a
<b>United States</b>								
Total Nonfarm Employment (thous.)	131,423	133,696	136,175	136,442	136,951	137,447	137,864	138,160
Total Nonfarm Employment (%)	1.1	1.7	1.9	1.6	1.5	1.5	1.2	0.9
Unemployment Rate (%)	5.5	5.1	4.6	4.7	4.5	4.5	4.5	4.6
Housing Price Index (NSA, 1980Q1=100.0)	324.3	366.3	399.1	400.9	406.4	409.0	409.5	408.0
Housing Price Index (%)	10.6	13.0	9.0	4.7	5.7	2.5	0.5	-1.4
Population	293,638,158	296,507,061	299,398,484	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	33,090	34,471	36,276	n/a	n/a	n/a	n/a	n/a

**Notes:**

Construction data is from FW Dodge. Monthly data is reported at annual rate. NSA means Non-seasonally Adjusted data. AR indicates annual rate  
Per Capita Personal Income is from www.bea.gov , Population is based on Census estimates on July 1 of that year  
Employment data is from the Bureau of Labor Statistics and WORKFORCE West Virginia  
Housing Price Index is from the Office of Federal Housing Enterprise Oversight.  
Data compiled by WVU Bureau of Business and Economic Research, www.bber.wvu.edu

## Morgantown MSA Economic Monitor

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